

**Adjustment of Group forecast for fiscal year 2017/2018 after comprehensive review of project portfolio at Industrial Solutions**

In the context of the restructuring of Industrial Solutions, the industrial group thyssenkrupp has conducted a comprehensive project analysis and a review of the budgeted figures in its plant construction and shipbuilding segment. The result of this analysis is a correction of the expected earnings figures of Industrial Solutions for the third fiscal quarter and the current fiscal year and thus the forecast for the Group.

Industrial Solutions is expected to report a negative adjusted EBIT of around -220 million euros in the third quarter of 2017/2018. This is mainly due to additional expenses that have become necessary as part of the extensive project analysis and a reassessment of individual projects. The main negative factors were higher expected total costs, particularly for a marine project in Turkey, a cement plant in Saudi Arabia and a biofuel power plant in Australia.

Even before these effects, Industrial Solutions' adjusted EBIT in the third quarter will be negative at a low double-digit million amount due to lower than expected sales. The lower order intake and delayed milestone payments in connection with current projects mean that the contribution of the plant construction and shipbuilding segment to the Group's Free Cash Flow before M&A for the year as a whole is also below the previous year and will therefore be more negative than previously expected.

For the current 2017/2018 financial year, this will lead to an adjustment of the Group's forecast: Adjusted EBIT will now be around 1.8 billion euros (previous year: 1.722 billion euros) and thus at the lower end of the previously forecast range of 1.8 to 2 billion euros. Free Cash Flow before M&A will continue to be significantly better than in the previous year (previous year: -855 million euros), but will be negative due to the lower expectations in plant construction and shipbuilding (previously: 'positive again'). Despite these developments, the Group's net income will continue to be significantly better than in the previous year (previous year: 271 million euros).

In line with market expectations, the previous change process of Industrial Solutions was focused on sales growth, especially with major projects in chemical and cement plant construction. However, the number of these major projects has recently decreased considerably. This is partly due to the continuing uncertainty regarding investments, e.g. in

the fertilizer sector, and partly to the overcapacities built up in the cement market in recent years. In addition to the number of major projects, the time periods between their announcement and actual project implementation have almost doubled. These changed conditions make further restructuring in plant construction absolutely essential. This has already been initiated.

Guido Kerkhoff, Chairman of the Executive Board of thyssenkrupp AG: "It is important to me to call it what it is. The results of our analysis at Industrial Solutions are anything but satisfying. The structure of plant construction must be adjusted to the changed market conditions in order to achieve a turnaround and finally become competitive again. We must act swiftly here."

For Industrial Solutions, it is important to focus order intake on medium-sized and smaller projects and at the same time to focus plant construction on the higher-margin service business. This requires an adjustment of the current structures to the actual market conditions. The aim is to reduce costs and complexity, to improve efficiency, flexibility and quality in order processing and also to further develop the technology portfolio in plant construction – especially with a view to digital transformation.

The results for the third quarter of 2017/2018, combined with a medium-term outlook for the business segments, will be published as planned on August 9.

**Contact person for media**

thyssenkrupp AG Communications

Peter Sauer

Telefon: +49 (201) 844-536791

mailto: [press@thyssenkrupp.com](mailto:press@thyssenkrupp.com)

Tim Proll-Gerwe

+49 (201) 844-537961

[www.thyssenkrupp.com/en](http://www.thyssenkrupp.com/en)Twitter: [@thyssenkrupp\\_en](https://twitter.com/thyssenkrupp_en)Company blog: <https://engineered.thyssenkrupp.com>